

## Message Text

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43

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OPIC-03 AID-05 IGA-02 XMB-02 FTC-01

JUSE-00 /076 W

----- 047109

R 120837Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2684

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: ECON, EINV, ID

SUBJECT: INDONESIANIZATION OF FOREIGN INVESTMENTS

1. SUMMARY: GOI MINISTER OF INDUSTRY JUSUF ANNOUNCED RECENTLY THAT GOI WILL SPEED UP INDONESIANIZATION OF OWNERSHIP OF FOREIGN COMPANIES TO ACHIEVE GOAL OF 51 PERCENT INDONESIAN OWNERSHIP. JUSUF'S STATEMENT, ESPECIALLY IN ABSENCE OF CONTINUING LACK OF ANY SPECIFIC GUIDELINES, WILL NOT IMPROVE PRESENT UNCERTAIN CLIMATE FOR FOREIGN INVESTMENT IN INDONESIA. END SUMMARY.

2. MINISTER OF INDUSTRY M. JUSUF TOLD PRESS AFTER MEETING WITH PRESIDENT SUHARTO JANUARY 22 THAT GOI WILL IMMEDIATELY ACCELERATE EFFORTS TO ACHIEVE POLICY TARGET AT LEAST OF 51 PERCENT LOCAL OWNERSHIP OF FOREIGN COMPANIES, BY TRANSFER OF SHARES TO INDONESIAN OWNERS.

3. JUSUF SAID HE HAD DISCUSSED POLICY WITH PRESIDENT AND THAT

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DEPARTMENT OF INDUSTRY AND CAPITAL INVESTMENT COORDINATING

BOARD (BKPM) WOULD BE TAKING STEPS TO SPEED UP THE INDONESIANIZATION POLICY. JUSUF MENTIONED "OTHER COMPANIES," AS WELL AS FOREIGN COMPANIES ARE SUBJECT TO INDONESIANIZATION - AND OBVIOUS REFERENCE TO ENTERPRISES OWNED BY NON-INDIGENOUS INDONESIAN. HE EXPRESSED HOPE THAT INDONESIAN-OWNED SHARES COULD EXCEED THE 51 PERCENT MINIMUM, IF AVAILABILITY OF CAPITAL PERMITS.

4. JUSUF ALSO REMINDED FOREIGN COMPANIES THAT THEY ARE REQUIRED TO FILL MORE OF THEIR IMPORTANT POSITIONS WITH LOCAL PERSONNEL, IF NECESSARY, BY ORGANIZING TRAINING COURSES, AND THAT FOREIGNERS COULD ONLY HOLD POSITIONS FOR WHICH NO EQUALLY-SKILLED INDONESIAN PERSONNEL ARE AVAILABLE.

5. ON PROCUREMENT OF SUPPLIES BY GOI AGENCIES, JUSUF SAID PRESIDENT SUHARTO HAS INSTRUCTED ALL STATE OFFICES, WHENEVER POSSIBLE, TO PURCHASE GOODS MANUFACTURED IN INDONESIA.

6. COMMENT: GOI HAS NEVER SPELLED OUT EXACT INTENTIONS REGARDING IMPLEMENTATION OF POLICY ANNOUNCED AFTER JANUARY 1974 JAKARTA RIOTS THAT REQUIRES TRANSFER OF 51 PERCENT OF SHARES IN FOREIGN AND ETHNIC CHINESE-OWNED COMPANIES TO INDIGENOUS INDONESIANS WITHIN TEN YEARS. THIS LACK OF CLARITY CONCERNING TIMING AND METHODS HAS CAUSED SOME CONCERN AMONG RESIDENT FOREIGN INVESTORS, AND HAS BEEN A DETERRENT TO NEW U.S. AND OTHER FOREIGN INVESTORS, AND HAS BEEN A DETERRENT TO NEW U.S. AND OTHER FOREIGN INVESTORS. A.R. SOEHOED, BKPM VICE CHAIRMAN HAS REPEATEDLY ADVISED EMBASSY AND U.S. COMPANIES HERE THAT GOI RECOGNIZES PRACTICAL DIFFICULTIES OF IMPLEMENTING 51 PERCENT POLICY, GIVEN SHORTAGES OF INDIGENOUS CAPITAL AND BUSINESS EXPERIENCE, ABSENCE OF STOCK MARKET, AND CONTINUING NEED TO ATTRACT PRIVATE FOREIGN INVESTMENT ON REASONABLE TERMS. THUS, SOEHOED INSISTS THAT GOI IS PREPARED TO BE FLEXIBLE AND ADVISES FOREIGNERS, TO "WATCH WHAT GOI DOES, NOT WHAT IT SAYS." HOWEVER, SOEHOED'S BOSS AT BKPM, BARLI HALIM, HAS OFFERED NO SUCH REASSURANCES, AND GOI HAS ISSUED NO WRITTEN GUIDELINES OR OTHER CLARIFICATION OF POLICY. (SOEHOED HIMSELF, ASKED BY EMBOFF JANUARY 28 FOR HIS REACTION TO JUSUF'S STATEMENT ABOUT SUHARTO'S INSTRUCTION "ACCELERATING" 51 PERCENT POLICY, SAID HE WAS "UNHAPPY" ABOUT IT, BUT DID NOT ELABORATE.) JUSUF'S STATEMENT, WHICH APPEARS TO EXPRESS SUHARTO'S VIEWS, WILL INCREASE CONCERN LIMITED OFFICIAL USE

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AMONG PRESENT AND POTENTIAL FOREIGN INVESTORS THAT GOI IS DETERMINED, SOMEHOW, TO STRICTLY ENFORCE 51 PERCENT POLICY. NEWSOM

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, FOREIGN INVESTMENT, POLICIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Errors:** N/A  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
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**Original Previous Classification:** n/a  
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**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAY 2004 by greeneet>; APPROVED <01 JUL 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INDONESIANIZATION OF FOREIGN INVESTMENTS  
**TAGS:** ECON, EINV, ID, (YUSUF, ANDI MOHAMMAD)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006